

*Village of Lawton*  
*Van Buren County, Michigan*

**FINANCIAL STATEMENTS**

*Year ended February 29, 2024*

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## INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Lawton, Michigan

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lawton, Michigan, as of and for the year ended February 29, 2024, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, as listed in the contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village as of February 29, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required supplementary information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information as listed in the contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Change in Accounting Principle**

As discussed in Note 14 to the financial statements, the Village adopted GASB Statement No. 87, *Leases*, during the current year. Our opinions are not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 5, 2024 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Village's internal control over financial reporting and compliance.

*Siegfried Crandall P.C.*

May 11, 2024

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Village of Lawton's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended February 29, 2024. Please read it in conjunction with the Village's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Village's total net position increased by \$2,132,879 (18 percent) as a result of this year's activities. Net position of the governmental activities increased by \$1,430,305 and net position of the business-type activities increased by \$702,574.
- Of the \$13,703,545 total net position reported, \$3,124,444 (23 percent) is available to be used to meet the Village's ongoing obligations to its citizens and customers, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$1,310,730, which represents 133 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

The Village's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, and required supplementary information and an optional section that presents additional information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village government, reporting the Village's operations in more detail than the government-wide financial statements.
  - Governmental funds statements explain how government services, like general government, public safety, and public works, were financed in the short-term, as well as what remains for future spending.
  - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business and include the Village's sewer and water systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2024 and 2023 is also presented.

**Government-wide financial statements**

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how it has changed. Net position (the difference between the Village's assets and liabilities) is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors, such as changes in the Village's property tax base and the condition of the Village's capital assets.

The government-wide financial statements of the Village are divided into three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as public safety and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's water and sewer system is reported here.
- *Component unit* - The Village includes in its report the Downtown Development Authority. Although legally separate, this "component unit" is important because the Village is financially accountable for them.

### **Fund financial statements**

The fund financial statements provide more detailed information about the Village's most significant funds - not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Village Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues (like motor fuel taxes collected for the street funds).

The Village has two types of funds:

- *Governmental funds*. Most of the Village's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds*. Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information.
  - The Village's enterprise fund (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information, such as cash flows.
  - The Village uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the Village's other programs and activities. The Village's internal service fund manages the Village's fleet of vehicles and equipment.

### **Component unit**

The Downtown Development Authority, although legally separate, is included in the Village's financial report because the Village is financially accountable for it. The Downtown Development Authority (DDA) was also created by the Village to capture property taxes from certain taxing units from a specific district within the Village to finance public improvements to that district.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$13,703,545. Of this total, \$7,208,663 is invested in capital assets and \$3,370,438 is restricted for various purposes. Consequently, unrestricted net position was \$3,124,444.

Condensed financial information  
Net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<b>2024</b>	2023	<b>2024</b>	2023	<b>2024</b>	2023
Current and other assets	<b>\$ 5,533,314</b>	\$ 5,221,710	<b>\$ 2,493,915</b>	\$ 1,409,233	<b>\$ 8,027,229</b>	\$ 6,630,943
Capital assets	<b>3,382,479</b>	2,416,727	<b>5,494,850</b>	5,570,156	<b>8,877,329</b>	7,986,883
Total assets	<b>8,915,793</b>	7,638,437	<b>7,988,765</b>	6,979,389	<b>16,904,558</b>	14,617,826
Current and other liabilities	<b>1,013,048</b>	1,165,997	<b>519,299</b>	103,497	<b>1,532,347</b>	1,269,494
Long-term debt	<b>-</b>	-	<b>1,668,666</b>	1,777,666	<b>1,668,666</b>	1,777,666
Total liabilities	<b>1,013,048</b>	1,165,997	<b>2,187,965</b>	1,881,163	<b>3,201,013</b>	3,047,160
Net position:						
Net investment in capital assets	<b>3,382,479</b>	2,359,109	<b>3,826,184</b>	3,792,490	<b>7,208,663</b>	6,151,599
Restricted	<b>3,018,228</b>	2,287,214	<b>352,210</b>	306,506	<b>3,370,438</b>	2,593,720
Unrestricted	<b>1,502,038</b>	1,826,117	<b>1,622,406</b>	999,230	<b>3,124,444</b>	2,825,347
Total net position	<b>\$ 7,902,745</b>	\$ 6,472,440	<b>\$ 5,800,800</b>	\$ 5,098,226	<b>\$ 13,703,545</b>	\$ 11,570,666

Changes in net position

The Village's total revenues were \$4,427,402 in the current fiscal year, compared to \$3,187,120 in 2023. Approximately 16 percent of the Village's revenues comes from property taxes, 38 percent comes from utility and other charges, and 15 percent came from operating grants and contributions.

The cost of the Village's programs totaled \$2,294,523 in 2024, \$50,153 more than last year. Approximately 36 percent of the Village's 2024 expenses comes from providing water and sewer services. General government represents 10 percent. Public safety and public works account for 18 and 23 percent respectively, of the Village's 2024 total expenses.

Condensed financial information

Changes in net position

	Governmental activities		Business-type activities		Totals	
	2024	2023	2024	2023	2024	2023
Program revenues:						
Charges for services	\$ 343,313	\$ 119,106	\$ 1,322,513	\$ 1,369,406	\$ 1,665,826	\$ 1,488,512
Operating grants and contributions	653,595	616,927	-	-	653,595	616,927
Capital grants and contributions	597,954	-	72,582	-	670,536	-
General revenues:						
Property taxes	720,411	683,953	-	-	720,411	683,953
State shared revenue	248,936	248,615	-	-	248,936	248,615
Local community stabilization share revenue	232,684	101,165	-	-	232,684	101,165
Franchise fees	26,808	28,418	-	-	26,808	28,418
Interest income	77,764	9,514	130,842	10,016	208,606	19,530
Other	-	-	-	-	-	-
Total revenues	<u>2,901,465</u>	<u>1,807,698</u>	<u>1,525,937</u>	<u>1,379,422</u>	<u>4,427,402</u>	<u>3,187,120</u>
Expenses:						
General government	224,356	274,027	-	-	224,356	274,027
Public safety	402,107	363,427	-	-	402,107	363,427
Public works	535,190	476,082	-	-	535,190	476,082
Recreation and culture	257,423	262,247	-	-	257,423	262,247
Community and economic development	52,084	65,494	-	-	52,084	65,494
Sewer	-	-	426,977	391,566	426,977	391,566
Water	-	-	396,386	411,527	396,386	411,527
Total expenses	<u>1,471,160</u>	<u>1,441,277</u>	<u>823,363</u>	<u>803,093</u>	<u>2,294,523</u>	<u>2,244,370</u>
Changes in net position	<u>1,430,305</u>	<u>366,421</u>	<u>702,574</u>	<u>576,329</u>	<u>2,132,879</u>	<u>942,750</u>
Net position, end of year	<u>\$ 7,902,745</u>	<u>\$ 6,472,440</u>	<u>\$ 5,800,800</u>	<u>\$ 5,098,226</u>	<u>\$ 13,703,545</u>	<u>\$ 11,570,666</u>

Governmental activities

The governmental activities net position increased by \$1,430,305 in the current year compared to a \$366,421 increase in the prior year. Revenues increased by \$1,093,767, primarily due to increases in capital grants and contributions. Expenses increased by \$29,883, primarily due to increases in expenses in the Village's public safety and public works, which were offset by decreases in general government and economic development.

The total cost of governmental activities this year was \$1,471,160. After subtracting the direct charges to those who directly benefited from the programs (\$343,313), operating grants and contributions (\$653,595), and capital grants and contributions (\$597,954) the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was (\$123,702).

**Business-type activities**

Business-type activities increased the Village's net position by \$702,574 in the current year. Total revenues increased by \$146,515, as interest revenue increased due to increased investment rates. Expenses increased by \$20,270 in the current year, primarily due to an increase in professional services.

**FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

**Governmental funds**

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$4,288,812 in 2024, an increase of \$468,720 from the prior year.

The General Fund is the primary operating fund of the Village. At the end of the fiscal year, its fund balance was \$1,321,131, a decrease of \$303,400, as revenues of \$1,404,973 were exceeded by expenditures of \$988,806 and net other financing uses of \$719,567.

The Major Street Fund experienced an increase in its fund balance of \$531,766 during the fiscal year, as revenues of \$258,106 and transfers in of \$750,000 exceeded operating and maintenance costs of \$476,340 in the current year. The Major Street Fund has a fund balance of \$1,480,926, which is restricted for street preservation.

The Municipal Streets Fund had a \$153,958 increase in its fund balance, as revenues of \$363,386 exceeded street maintenance expenditures of \$209,428. The Municipal Streets Fund has a fund balance of \$543,679, which is restricted for public works.

The Library Fund had a \$35,976 increase in its fund balance, as revenues of \$243,877 were higher than library operating expenditures of \$177,468 and transfers out \$30,433. The Library Fund has a fund balance of \$688,345, which is restricted for library operations.

**Proprietary funds**

The Sewer Fund experienced an operating loss of \$22,936 as user fees did not cover all current year operating costs. During the current year interest expense of \$21,443 was lower than interest revenue of \$65,421 and state grants of \$36,291, so that net position increased by \$57,333. Total net position was \$2,415,786 at year end, which included an unrestricted net position of \$49,378.

The Water Fund experienced an operating gain of \$565,783 and net position increased by \$645,241 because user charges covered operating and financing expenses. Net position was \$3,385,014 at year end, of which \$1,573,028 is unrestricted.

**General Fund budgetary highlights**

The Village amended the General Fund budget during the current fiscal year to increase total expenditures by \$23,815 and budgeted revenues by \$108,990.

Revenues were \$769,017 lower than anticipated. Expenditures were \$1,100,009 less than the amounts appropriated, as all functions, except community and economic development, were under budget in 2024. The actual decrease in fund balance of \$303,400 was \$361,425 less than the anticipated decrease of \$664,825.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**

The Village's investment in capital assets for its governmental and business-type activities as of February 29, 2024, amounts to \$8,877,329, net of accumulated depreciation. This investment includes a broad range of assets, including land, buildings, equipment, and sewer and water infrastructure. The decrease in the Village's investment in capital assets for the current fiscal year was \$890,446, which includes \$1,341,353 in additions reduced by \$450,907 in depreciation expense.

The major capital asset additions during the current fiscal year included the following:

- \$22,974 for library books
- \$123,469 for improvements to the Village's water and sewer infrastructure
- \$945,574 for improvements to Village roads
- \$66,667 for roof replacement at Village Hall
- \$80,835 for new police vehicles

More detailed information about the Village's capital assets is presented in Note 5 of the notes to the basic financial statements.

**Debt**

At the end of the fiscal year, the Village had \$1,668,666 in outstanding obligations, reflecting a \$109,000 decrease during the year due to principal payments.

Other noncurrent obligations, in the amount of \$74,600, represent accrued compensated absences.

More detailed information about the Village's long-term liabilities is presented in Note 7 of the notes to the basic financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Village's General Fund budget for the next year is set so that revenues are expected to exceed expenditures, with a decrease in general government spending. Major revenues, including taxes and state grants, will not increase significantly in the foreseeable future. Water rates will remain stable and sewer rates will increase during the upcoming fiscal year.

**CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Todd Hackenberg, Village Manager  
Village of Lawton  
125 South Main Street  
Lawton, MI 49065

Phone: (269) 624-6407

## **BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**

February 29, 2024

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total primary government</u>	<u>Downtown Development Authority</u>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,028,715	\$ -	\$ 1,028,715	\$ 30,172
Investments	3,471,624	1,866,427	5,338,051	43,584
Receivables	264,208	186,278	450,486	3,503
Inventory	-	89,000	89,000	-
	<u>4,764,547</u>	<u>2,141,705</u>	<u>6,906,252</u>	<u>77,259</u>
Total current assets				
Noncurrent assets:				
Receivables	768,767	-	768,767	-
Restricted cash	-	352,210	352,210	-
Capital assets not being depreciated	217,843	239,375	457,218	-
Capital assets, net of accumulated depreciation	<u>3,164,636</u>	<u>5,255,475</u>	<u>8,420,111</u>	<u>108,327</u>
	<u>4,151,246</u>	<u>5,847,060</u>	<u>9,998,306</u>	<u>108,327</u>
Total noncurrent assets				
	<u>8,915,793</u>	<u>7,988,765</u>	<u>16,904,558</u>	<u>185,586</u>
Total assets				
<b>LIABILITIES AND DEFERRED INFLOWS</b>				
Current liabilities:				
Payables	41,716	48,891	90,607	-
Customer deposits	-	42,990	42,990	-
Unearned grant revenue	111,770	427,418	539,188	-
Bonds and note payable - current portion	<u>-</u>	<u>109,000</u>	<u>109,000</u>	<u>-</u>
	<u>153,486</u>	<u>628,299</u>	<u>781,785</u>	<u>-</u>
Total current liabilities				
Noncurrent liabilities:				
Compensated absences	74,600	-	74,600	-
Bonds and note payable	<u>-</u>	<u>1,559,666</u>	<u>1,559,666</u>	<u>-</u>
	<u>74,600</u>	<u>1,559,666</u>	<u>1,634,266</u>	<u>-</u>
Total noncurrent liabilities				
	<u>228,086</u>	<u>2,187,965</u>	<u>2,416,051</u>	<u>-</u>
Total liabilities				
Deferred inflows of resources:				
Unavailable lease receivable	<u>784,962</u>	<u>-</u>	<u>784,962</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	3,382,479	3,826,184	7,208,663	108,327
Restricted for:				
Public safety	10,401	-	10,401	-
Public works	2,319,065	-	2,319,065	-
Recreation and culture	688,762	-	688,762	-
Debt service	-	352,210	352,210	-
Unrestricted	<u>1,502,038</u>	<u>1,622,406</u>	<u>3,124,444</u>	<u>77,259</u>
	<u>\$ 7,902,745</u>	<u>\$ 5,800,800</u>	<u>\$ 13,703,545</u>	<u>\$ 185,586</u>
Total net position				

See notes to financial statements



**BALANCE SHEET - governmental funds**

February 29, 2024

	<u>General</u>	<u>Major Street</u>	<u>Municipal Street</u>	<u>Library</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
<b>ASSETS</b>						
Cash	\$ 224,291	\$ 120,203	\$ 239,291	\$ 294,373	\$ 121,182	\$ 999,340
Investments	1,162,167	1,332,587	307,944	330,405	120,370	3,253,473
Receivables	868,521	38,982	40,364	70,867	14,241	1,032,975
Total assets	<u>\$ 2,254,979</u>	<u>\$ 1,491,772</u>	<u>\$ 587,599</u>	<u>\$ 695,645</u>	<u>\$ 255,793</u>	<u>\$ 5,285,788</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Payables	\$ 17,793	\$ 10,846	\$ 4,191	\$ 5,754	\$ 1,062	\$ 39,646
Unearned federal grant revenue	111,770	-	-	-	-	111,770
Total liabilities	<u>\$ 129,563</u>	<u>\$ 10,846</u>	<u>\$ 4,191</u>	<u>\$ 5,754</u>	<u>\$ 1,062</u>	<u>\$ 151,416</u>
Deferred inflows of resources:						
Unavailable property tax revenues	19,323	-	39,729	1,546	-	60,598
Unavailable lease receivable	784,962	-	-	-	-	784,962
Total deferred inflows of resources	<u>804,285</u>	<u>-</u>	<u>39,729</u>	<u>1,546</u>	<u>-</u>	<u>845,560</u>
Fund balances:						
Restricted for:						
Police training programs	10,035	-	-	-	-	10,035
Drug enforcement programs	366	-	-	-	-	366
Street maintenance and improvement	-	1,480,926	543,679	-	254,731	2,279,336
Library operations	-	-	-	688,345	-	688,345
Unassigned	1,310,730	-	-	-	-	1,310,730
Total fund balances	<u>1,321,131</u>	<u>1,480,926</u>	<u>543,679</u>	<u>688,345</u>	<u>254,731</u>	<u>4,288,812</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,254,979</u>	<u>\$ 1,491,772</u>	<u>\$ 587,599</u>	<u>\$ 695,645</u>	<u>\$ 255,793</u>	<u>\$ 5,285,788</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 4,288,812

Amounts reported for *governmental activities* in the statement of net position (page 11) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 3,161,988

Certain assets used in *governmental activities* are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 60,598

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (74,600)

An internal service fund is used by management to charge costs of equipment to individual funds. The assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net position. 465,947

Net position of *governmental activities* \$ 7,902,745

Village of Lawton

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**

**BALANCES - governmental funds**

Year ended February 29, 2024

	<i>General</i>	<i>Major Street</i>	<i>Municipal Streets</i>	<i>Library</i>	<i>Nonmajor fund</i>	<i>Total governmental funds</i>
<b>REVENUES</b>						
Property taxes	\$ 496,118	\$ -	\$ 187,488	\$ 36,193	\$ -	\$ 719,799
Licenses and permits	44,675	-	-	-	-	44,675
Federal grants	77,915	-	-	-	-	77,915
State grants	484,248	235,957	129,261	26,115	86,160	961,741
Contributions from local units	-	-	33,442	133,032	-	166,474
Charges for services	193,442	-	-	-	-	193,442
Fines and forfeitures	-	-	-	25,589	-	25,589
Interest and rentals	94,800	22,149	13,195	17,781	6,203	154,128
Other	13,775	-	-	5,167	-	18,942
<b>Total revenues</b>	<b>1,404,973</b>	<b>258,106</b>	<b>363,386</b>	<b>243,877</b>	<b>92,363</b>	<b>2,362,705</b>
<b>EXPENDITURES</b>						
Current:						
General government	258,114	-	-	-	-	258,114
Public safety	390,417	-	-	-	-	390,417
Public works	134,320	476,340	209,428	-	41,943	862,031
Community and economic development	52,084	-	-	-	-	52,084
Recreation and culture	82,732	-	-	164,107	-	246,839
Capital outlay	71,139	-	-	13,361	-	84,500
<b>Total expenditures</b>	<b>988,806</b>	<b>476,340</b>	<b>209,428</b>	<b>177,468</b>	<b>41,943</b>	<b>1,893,985</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>416,167</b>	<b>(218,234)</b>	<b>153,958</b>	<b>66,409</b>	<b>50,420</b>	<b>468,720</b>
<b>OTHER FINANCING USES</b>						
Transfers in	30,433	750,000	-	-	-	780,433
Transfers out	(750,000)	-	-	(30,433)	-	(780,433)
<b>Total other financing sources (uses)</b>	<b>(719,567)</b>	<b>750,000</b>	<b>-</b>	<b>(30,433)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(303,400)</b>	<b>531,766</b>	<b>153,958</b>	<b>35,976</b>	<b>50,420</b>	<b>468,720</b>
<b>FUND BALANCES - BEGINNING</b>	<b>1,624,531</b>	<b>949,160</b>	<b>389,721</b>	<b>652,369</b>	<b>204,311</b>	<b>3,820,092</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,321,131</b>	<b>\$ 1,480,926</b>	<b>\$ 543,679</b>	<b>\$ 688,345</b>	<b>\$ 254,731</b>	<b>\$ 4,288,812</b>

See notes to financial statements

Village of Lawton

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

Year ended February 29, 2024

Reconciliation of the statement of revenues, expenditures, and changes  
in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 14)	\$ 468,720
Amounts reported for <i>governmental activities</i> in the statement of activities (page 12) are different because:	
Capital assets:	
Asset acquisitions	1,137,049
Provision for depreciation	(199,081)
Net change in other liabilities:	
Increase in compensated absences	(4,400)
Net change in deferred inflows of resources:	
Increase in unavailable property tax revenues	7,612
Net income of the internal service fund is reported with <i>governmental activities</i>	<u>20,405</u>
Change in net position of <i>governmental activities</i>	<u>\$ 1,430,305</u>

See notes to financial statements

**STATEMENT OF NET POSITION - *proprietary funds***

February 29, 2024

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
<b>ASSETS</b>				
Current assets:				
Cash	\$ -	\$ -	\$ -	\$ 29,375
Investments	207,023	1,659,404	1,866,427	218,151
Receivables	61,176	125,102	186,278	-
Due from other funds	-	-	-	-
Inventory	28,062	60,938	89,000	-
<b>Total current assets</b>	<b>296,261</b>	<b>1,845,444</b>	<b>2,141,705</b>	<b>247,526</b>
Noncurrent assets:				
Restricted cash	352,210	-	352,210	-
Capital assets not being depreciated - land	-	239,375	239,375	-
Capital assets, net of accumulated depreciation	2,804,198	2,451,277	5,255,475	220,491
<b>Total noncurrent assets</b>	<b>3,156,408</b>	<b>2,690,652</b>	<b>5,847,060</b>	<b>220,491</b>
<b>Total assets</b>	<b>3,452,669</b>	<b>4,536,096</b>	<b>7,988,765</b>	<b>468,017</b>
<b>LIABILITIES</b>				
Current liabilities:				
Payables	33,174	15,717	48,891	2,070
Customer deposits	-	42,990	42,990	-
Unearned grant revenue	213,709	213,709	427,418	-
Bonds and note payable - current portion	14,000	95,000	109,000	-
<b>Total current liabilities</b>	<b>260,883</b>	<b>367,416</b>	<b>628,299</b>	<b>2,070</b>
Noncurrent liabilities - bonds and note payable	776,000	783,666	1,559,666	-
<b>Total liabilities</b>	<b>1,036,883</b>	<b>1,151,082</b>	<b>2,187,965</b>	<b>2,070</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,014,198	1,811,986	3,826,184	220,491
Restricted for debt service	352,210	-	352,210	-
Unrestricted	49,378	1,573,028	1,622,406	245,456
<b>Total net position</b>	<b>\$ 2,415,786</b>	<b>\$ 3,385,014</b>	<b>\$ 5,800,800</b>	<b>\$ 465,947</b>

See notes to financial statements

Village of Lawton

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION - proprietary funds**

Year ended February 29, 2024

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
<b>OPERATING REVENUES</b>				
Charges for services:				
Public utility fees	\$ 382,598	\$ 939,915	\$ 1,322,513	\$ -
Equipment rental	-	-	-	168,762
Total operating revenues	<u>382,598</u>	<u>939,915</u>	<u>1,322,513</u>	<u>168,762</u>
<b>OPERATING EXPENSES</b>				
Sewer	313,436	-	313,436	-
Water	-	267,455	267,455	-
Motor pool	-	-	-	106,415
Depreciation	92,098	106,677	198,775	53,051
Total operating expenses	<u>405,534</u>	<u>374,132</u>	<u>779,666</u>	<u>159,466</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(22,936)</u>	<u>565,783</u>	<u>542,847</u>	<u>9,296</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue	65,421	65,421	130,842	11,109
Interest expense	(21,443)	(22,254)	(43,697)	-
Net nonoperating expenses	<u>43,978</u>	<u>43,167</u>	<u>87,145</u>	<u>11,109</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	21,042	608,950	629,992	20,405
<b>CAPITAL CONTRIBUTION - state grant</b>	<u>36,291</u>	<u>36,291</u>	<u>72,582</u>	<u>-</u>
<b>CHANGES IN NET POSITION</b>	57,333	645,241	702,574	20,405
<b>NET POSITION - BEGINNING</b>	<u>2,358,453</u>	<u>2,739,773</u>	<u>5,098,226</u>	<u>445,542</u>
<b>NET POSITION - ENDING</b>	<u>\$ 2,415,786</u>	<u>\$ 3,385,014</u>	<u>\$ 5,800,800</u>	<u>\$ 465,947</u>

See notes to financial statements

**STATEMENT OF CASH FLOWS - proprietary funds**

Year ended February 29, 2024

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 361,095	\$ 893,040	\$ 1,254,135	\$ 168,762
Payments to vendors and suppliers	(191,972)	(210,750)	(402,722)	(106,360)
Payments to employees	(115,992)	(73,433)	(189,425)	-
Net cash provided by (used in) operating activities	<u>53,131</u>	<u>608,857</u>	<u>661,988</u>	<u>62,402</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Change in interfund balances	<u>(857)</u>	<u>857</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(857)</u>	<u>857</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
State grant deposits	250,000	250,000	500,000	-
Acquisition of capital assets	(79,191)	(44,278)	(123,469)	(80,835)
Principal payments on capital debt	(14,000)	(95,000)	(109,000)	-
Interest payments on capital debt	(21,777)	(23,154)	(44,931)	-
Net cash provided by (used in) capital and related financing activities	<u>135,032</u>	<u>87,568</u>	<u>222,600</u>	<u>(80,835)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	65,421	65,421	130,842	11,109
Purchase of investments	(207,023)	(762,703)	(969,726)	(65,783)
Net cash provided by (used in) investing activities	<u>(141,602)</u>	<u>(697,282)</u>	<u>(838,884)</u>	<u>(54,674)</u>
<b>NET CHANGE IN CASH</b>	<u>45,704</u>	<u>-</u>	<u>45,704</u>	<u>(73,107)</u>
<b>CASH - BEGINNING (\$306,506 restricted - sewer)</b>	<u>306,506</u>	<u>-</u>	<u>306,506</u>	<u>102,482</u>
<b>CASH - ENDING (\$352,210 restricted - sewer)</b>	<u>\$ 352,210</u>	<u>\$ -</u>	<u>\$ 352,210</u>	<u>\$ 29,375</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ (22,936)	\$ 565,783	\$ 542,847	\$ 9,296
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	92,098	106,677	198,775	53,051
(Increase) decrease in receivables	(21,503)	(47,750)	(69,253)	-
Increase (decrease) in payables	5,472	(16,728)	(11,256)	55
Increase (decrease) in customer deposits	-	875	875	-
Net cash provided by (used in) operating activities	<u>\$ 53,131</u>	<u>\$ 608,857</u>	<u>\$ 661,988</u>	<u>\$ 62,402</u>

See notes to financial statements

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Lawton, Michigan (the Village), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

*Reporting entity:*

As required by generally accepted accounting principles, these financial statements present the Village (the primary government), located in Van Buren County, and its component unit described below, for which the Village is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. Separate financial statements for the component unit have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

*Discretely presented component unit - Downtown Development Authority*

The Authority was established pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district. The Authority's governing body is appointed by the Village Council and its budget must be approved by the Village Council.

*Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

*Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Village generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of major streets within the Village.

The Municipal Street Fund accounts for the use of street funds levied by the Village. Revenues are derived from property taxes.

The Library Fund accounts for operations of a public library within the Village. Revenues are primarily derived from local unit contributions, property taxes, and penal fines.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Village's sewage collection system and treatment plant.

The Water Fund accounts for the activities of the Village's water distribution system.

Additionally, the Village reports the following fund type:

The Motor Vehicle Pool Fund, an internal service fund, accounts for vehicle and equipment management services provided to other departments of the Village on a cost-reimbursement basis.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement focus, basis of accounting, and financial statement presentation (continued):*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Assets, liabilities, deferred inflows of resources, and equity:*

*Cash* - Cash is considered to be cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

*Receivables* - No allowance for uncollectible accounts has been recorded, as the Village considers all receivables to be fully collectible and all are due within one year.

*Inventory of supplies* - Supplies inventory is stated at cost (as determined on the first-in, first-out basis).

*Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., sewer and water systems, streets, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning March 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Land improvements	20 years
Furniture, fixtures, and equipment	5 - 10 years
Vehicles	5 years
Infrastructure	10 - 50 years

*Compensated absences* - It is the Village's policy to permit employees to accumulate earned, but unused, sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Village. Vested compensated absences are accrued when earned in the government-wide funds financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

*Unearned revenue* - Unearned revenue represents resources related to state and federal grants, which have not yet been earned.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, liabilities, deferred inflows of resources, and equity* (continued):

*Deferred inflows of resources* - The governmental funds balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenue will not be recognized until a future event occurs. Currently, the Village reports several items in this category, which represent revenues considered earned, but are unavailable (collected more than 60 days after the end of the Village's fiscal year). Such resources are deferred at year end and will be recognized as an inflow of resources in the period that the revenues become available.

*Long-term obligations* - In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund statements of net position.

*Net position* - Net position represents the difference between assets, and liabilities and deferred inflows of resources. The Village reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Village's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Village.

*Net position flow assumption* - Sometimes, the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government wide and proprietary funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

*Fund equity* - Governmental funds report restricted fund balance when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Village Council retains the right to assign fund balance. Unassigned fund balance is the residual classification for amounts in the General Fund. When the Village incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Village's policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

*Property tax revenue recognition* - The Village's property tax is levied each July 1 on the assessed values as of December 31 of the prior year. The Village's property taxes are recognized when levied. Taxes are payable to the Village from July 1 to March 1, at which time the uncollected portion is reimbursed to the Village by the Van Buren County revolving tax fund.

*Use of estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Village’s governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations* - The following schedule sets forth the reportable budget variances:

<i>Fund</i>	<i>Function</i>	<i>Activity</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance</i>
General	Public works	Cemetery	\$ 75,805	\$ 80,033	\$ 4,228
	Community and economic development	Planning and zoning	39,450	52,084	12,634
Major Street	Public works	Winter maintenance	13,450	16,297	2,847
Library	Capital outlay	Capital outlay	11,985	13,361	1,376

**NOTE 3 – CASH AND INVESTMENTS**

The Village’s cash balances at February 29, 2024, were as follows:

	<i>Primary government</i>			<i>Total</i>
	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Component unit</i>	
Deposits	\$ 1,028,715	\$ 352,210	\$ 30,172	\$ 1,411,097
Investments	<u>3,471,624</u>	<u>1,866,427</u>	<u>43,584</u>	<u>5,381,635</u>
Total	<u>\$ 4,500,339</u>	<u>\$ 2,218,637</u>	<u>\$ 73,756</u>	<u>\$ 6,792,732</u>

Michigan Compiled Laws, Section 128.91 (Public Act 20 of 1943, as amended) and the Village’s investment policy authorize the Village to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Village will not be able to recover its deposits. The Village’s investment policy does not specifically address custodial credit risk for deposits. At February 29, 2024, \$951,517 of the Village’s bank balances of \$1,452,267 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Village maintains a pooled cash account for all of its funds and its component unit. As such, it is not practicable to allocate the balance exposed to custodial credit risk between the primary government and the component unit.

*Investments* - State statutes and the Village’s investment policy authorize the Village to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two (2) highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds composed of otherwise legal investments; and f) investment pools organized under the local government investment pool act. The Village’s investment policy does not address credit risk or interest rate risk for investments.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

*Investments in entities that calculate net asset value per share* - The Village holds shares in an investment pool where the fair value of the investment is measured on a recurring basis using net asset value per share of the investment pool as a practical expedient. Accordingly, it has not been classified in the fair value hierarchy. At February 29, 2024 the investment had a fair value of \$5,381,635, unfunded commitments of \$0, and redemption rules (N/A).

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasury agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. The pool purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

**NOTE 4 – RECEIVABLES**

Receivables as of February 29, 2024, all of which are considered fully collectible and due within one year, for the Village’s individual funds were as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Accounts</u>	<u>Leases</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental:					
General	\$ 20,910	\$ 23,500	\$ 784,962	\$ 39,149	\$ 868,521
Major Street	-	-	-	38,982	38,982
Municipal Street	8,364	-	-	32,000	40,364
Library	1,673	-	-	69,194	70,867
Nonmajor	-	-	-	14,241	14,241
Total governmental	<u>\$ 30,947</u>	<u>\$ 23,500</u>	<u>\$ 784,962</u>	<u>\$ 193,566</u>	<u>\$ 1,032,975</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,767</u>	<u>\$ -</u>	<u>\$ 768,767</u>
Proprietary:					
Sewer	\$ -	\$ 61,176	\$ -	\$ -	\$ 61,176
Water	-	125,102	-	-	125,102
Total proprietary	<u>\$ -</u>	<u>\$ 186,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,278</u>
Component unit:					
Downtown Development Authority	<u>\$ 3,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,503</u>

## NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2024, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 217,843	\$ -	\$ -	\$ 217,843
Capital assets being depreciated:				
Vehicles	391,701	80,835	-	472,536
Land improvements	121,545	-	-	121,545
Furniture, fixtures, and equipment	998,740	30,290	(25,769)	1,003,261
Infrastructure	2,568,360	945,574	-	3,513,934
Buildings and improvements	<u>847,241</u>	<u>161,185</u>	<u>-</u>	<u>1,008,426</u>
Subtotal	<u>4,927,587</u>	<u>1,217,884</u>	<u>(25,769)</u>	<u>6,119,702</u>
Less accumulated depreciation for:				
Vehicles	(312,534)	(29,572)	-	(342,106)
Land improvements	(96,513)	-	-	(96,513)
Furniture, fixtures, and equipment	(691,215)	(54,849)	25,769	(720,295)
Infrastructure	(1,093,566)	(149,969)	-	(1,243,535)
Buildings and improvements	<u>(534,875)</u>	<u>(17,742)</u>	<u>-</u>	<u>(552,617)</u>
Subtotal	<u>(2,728,703)</u>	<u>(252,132)</u>	<u>25,769</u>	<u>(2,955,066)</u>
Total capital assets being depreciated, net	<u>2,198,884</u>	<u>965,752</u>	<u>-</u>	<u>3,164,636</u>
Governmental activities capital assets, net	<u>\$ 2,416,727</u>	<u>\$ 965,752</u>	<u>\$ -</u>	<u>\$ 3,382,479</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 19,361
Public safety	1,738
Public works	150,424
Recreation and culture	27,558
Depreciation on capital assets held by internal service fund	<u>53,051</u>
Total governmental activities	<u>\$ 252,132</u>

## NOTE 5 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated - land	\$ 239,375	\$ -	\$ -	\$ 239,375
Capital assets being depreciated:				
Sewer system	4,350,340	79,191	-	4,429,531
Water system	4,815,243	44,278	-	4,859,521
Equipment	166,973	-	-	166,973
Subtotal	9,332,556	123,469	-	9,456,025
Less accumulated depreciation for:				
Sewer system	(1,589,636)	(88,735)	-	(1,678,371)
Water system	(2,268,427)	(105,772)	-	(2,374,199)
Equipment	(143,712)	(4,268)	-	(147,980)
Subtotal	(4,001,775)	(198,775)	-	(4,200,550)
Total capital assets being depreciated, net	5,330,781	(75,306)	-	5,255,475
Business-type activities capital assets, net	<u>\$ 5,570,156</u>	<u>\$ (75,306)</u>	<u>\$ -</u>	<u>\$ 5,494,850</u>
	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Component unit activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated - equipment	128,607	-	-	128,607
Less accumulated depreciation for - equipment	(13,593)	(6,687)	-	(20,280)
Total capital assets being depreciated, net	115,014	(6,687)	-	108,327
Business-type activities capital assets, net	<u>\$ 115,014</u>	<u>\$ (6,687)</u>	<u>\$ -</u>	<u>\$ 108,327</u>

**NOTE 6 - PAYABLES**

Payables as of February 29, 2024, for the Village’s individual funds were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental:				
General	\$ 10,106	\$ 7,687	\$ -	\$ 17,793
Major Street	10,119	727	-	10,846
Municipal Street	1,300	2,891	-	4,191
Library	375	5,379	-	5,754
Nonmajor	-	1,062	-	1,062
	<u>\$ 21,900</u>	<u>\$ 17,746</u>	<u>\$ -</u>	<u>\$ 39,646</u>
Proprietary:				
Sewer	\$ 16,379	\$ 6,073	\$ 10,722	\$ 33,174
Water	2,875	3,642	9,200	15,717
	<u>\$ 19,254</u>	<u>\$ 9,715</u>	<u>\$ 19,922</u>	<u>\$ 48,891</u>
Internal Service	<u>\$ -</u>	<u>\$ 2,070</u>	<u>\$ -</u>	<u>\$ 2,070</u>

**NOTE 7 - LONG-TERM LIABILITIES**

At February 29, 2024, long-term liabilities, consist of the following:

Governmental activities:		
Accrued compensated absences		<u>\$ 74,600</u>
Business-type activities:		
Bonds:		
2010 \$3,240,000 Drinking Water Revolving Fund revenue bonds - payable in annual installments ranging from \$74,000 to \$125,000, plus interest at 2.50%; final payment due April 2031		\$ 878,666
2017 \$870,000 Sewer improvement revenue bonds - payable in annual installments ranging from \$13,000 to \$35,000, plus interest at 2.75%; final payment due March 2057		<u>790,000</u>
Total business-type activities		<u>\$ 1,668,666</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

Long-term liability activity for the year ended February 29, 2024, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Net Change</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:						
Compensated absences	<u>70,200</u>	<u>-</u>	<u>4,400</u>	<u>-</u>	<u>74,600</u>	<u>-</u>
Total governmental activities	<u>\$ 70,200</u>	<u>\$ -</u>	<u>\$ 4,400</u>	<u>\$ -</u>	<u>\$ 74,600</u>	<u>\$ -</u>
Business-type activities:						
Other debt:						
2010 Water revenue bonds	\$ 973,666	\$ -	\$ -	\$ (95,000)	\$ 878,666	\$ 95,000
2017 Sewer revenue bonds	<u>804,000</u>	<u>-</u>	<u>-</u>	<u>(14,000)</u>	<u>790,000</u>	<u>14,000</u>
Total business-type activities	<u>\$ 1,777,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (109,000)</u>	<u>\$ 1,668,666</u>	<u>\$ 109,000</u>

At February 29, 2024, debt service requirements, excluding compensated absences, are as follows:

<i>Year ended February 29</i>	<i>Business-type activities</i>	
	<i>Other Debt Principal</i>	<i>Interest</i>
2025	109,000	31,449
2026	115,000	39,476
2027	115,000	36,563
2028	126,000	33,512
2029	131,000	30,259
2030 - 2034	444,666	106,067
2035 - 2039	99,000	79,681
2040 - 2044	114,000	65,038
2045 - 2049	131,000	48,276
2050 - 2054	150,000	29,013
2055 - 2059	<u>134,000</u>	<u>7,508</u>
Totals	<u>\$ 1,668,666</u>	<u>\$ 506,842</u>

All debt is secured by the full faith and credit of the Village and considered direct placement debt under GASB 88.

**NOTE 8 - TAX REVENUE**

The 2023 taxable valuation of the Village approximated \$41,235,000, on which ad valorem taxes levied consisted of 11.4594 mills for operating purposes, 4.5835 mills for streets, and 0.9166 mills for library operations, raising approximately \$473,000 for operating purposes, \$189,000 for streets, and \$38,000 for library operations. These amounts are recognized in the respective fund financial statements as property tax revenue.

**NOTE 9 - MAJOR CUSTOMER**

A major commercial customer accounts for revenues of \$677,507, which represents 52 percent of total water and sewer revenues for the year ended February 29, 2024.

**NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN**

The Village and its employees contribute to the Village of Lawton Group Pension Plan, a defined contribution pension plan, which is administered by a third-party administrator. The plan covers all full-time employees and part-time employees (over 20 hours per week). Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Village Council. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate, as described above. The Village makes a matching contribution (not to exceed 5% of covered payroll) for all personnel who contribute to the plan. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code limits. For the year ended February 29, 2024, the Village and eligible employees made contributions of \$28,865 and \$34,385, respectively. At February 29, 2024, the Village reported no accrued liability as part of the contributions to the plan.

The Village’s contributions for each employee (and investment earnings allocated to the employee’s account) are fully vested on the day the employee is eligible to participate in the plan, which occurs after one year of service.

The Village is not a trustee of the defined contribution pension plan, nor is the Village responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

**NOTE 11 - CONSTRUCTION CODE ACT**

A summary of construction code enforcement transactions for the year ended February 29, 2024, is as follows.

Cumulative excess revenues, beginning of year	<u>\$ -</u>
Revenues	\$ 16,741
Expenses	<u>(26,213)</u>
Excess (Deficiency) of revenues over expenses	<u>\$ (9,472)</u>
Cumulative excess revenues, end of year	<u>\$ -</u>

**NOTE 12 - JOINT VENTURE**

The Village is a member of the Lawton Fire Department (the Fire Department), which is a joint venture of the Townships of Antwerp and Porter, and the Village of Lawton. The Administrative Board of the Fire Department consists of six members, which consists of two members appointed by each participating unit. The Fire Department was formed to jointly provide fire protection services within the combined service area, which encompasses the participating municipalities. The interlocal agreement governing the Authority does not convey an equity interest to its members. During the year ended February 29, 2024, the Village of Lawton was not required to make a contribution to the Fire Department.

The Village is unaware of any indication that the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the Village in the near future. Complete financial statements for the Fire Department can be obtained from the Treasurer of the Fire Department.

**NOTE 13 - RISK MANAGEMENT**

The Village is exposed to various risks of loss related to general liability, property and casualty, and workers’ compensation. The risks of loss arising from general liability, building contents, workers’ compensation, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

**NOTE 14 - LEASES**

The Village has entered into two agreements with corporations to lease space on the Village’s water tower for communications equipment. The terms of these agreements vary as they range from monthly payments of \$1,380 to \$1,587, including a 15% increase every 5 years, and have varying lengths. The lessees can typically terminate these leases upon written notice dependent upon specific conditions within the contracts.

GASB Statement No. 87, *Leases*, was implemented in 2023. For the year ended February 29, 2024, the Village recognized \$15,723 in lease revenue and \$24,021 in lease interest revenue.

Future payments due to the Village under the lease agreements are as follows for the years ending February 29, 2024:

<i>Year ended</i>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
<u>February 29,</u>			
2025	16,195	\$ 24,021	\$ 768,767
2026	16,681	23,549	752,086
2027	17,181	23,063	734,905
2028	20,315	22,562	714,590
2029	24,267	22,047	690,323
2030-2034	142,661	99,686	547,662
2035-2039	203,273	76,567	344,389
2040-2044	214,469	43,916	129,920
2045-2049	<u>129,920</u>	<u>19,738</u>	<u>-</u>
Totals	<u>\$ 784,962</u>	<u>\$ 355,149</u>	<u>\$ -</u>

**NOTE 15 - RESTRICTED NET POSITION**

In the government-wide statement of net position, the governmental activities report restricted net position in the amount of \$3,018,228. Of this amount, \$2,319,065 is restricted by enabling legislation for public works expenditures, \$10,401 is restricted by enabling legislation for public safety expenditures, and \$688,762 is restricted by enabling legislation for recreation and culture (library) expenditures.

**NOTE 16 - PENDING ACCOUNTING PRONOUNCEMENT**

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Village of Lawton

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended February 29, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 458,850	\$ 458,850	\$ 496,118	\$ 37,268
Licenses and permits	42,300	42,300	44,675	2,375
Federal grants	87,500	87,500	77,915	(9,585)
State grants	1,247,775	1,338,265	484,248	(854,017)
Charges for services	166,000	179,500	193,442	13,942
Interest and rentals	60,500	65,500	94,800	29,300
Other	2,075	2,075	13,775	11,700
Total revenues	<u>2,065,000</u>	<u>2,173,990</u>	<u>1,404,973</u>	<u>(769,017)</u>
<b>EXPENDITURES</b>				
General government:				
Village Council	25,525	25,525	23,010	2,515
Clerk	192,125	192,125	166,431	25,694
Finance	25,000	25,000	17,729	7,271
Building and grounds	79,455	79,455	50,944	28,511
Total general government	<u>322,105</u>	<u>322,105</u>	<u>258,114</u>	<u>63,991</u>
Public safety:				
Police protection	478,835	486,335	390,417	95,918
Public works:				
Cemetery	71,585	75,805	80,033	(4,228)
Reids corner improvement	865,000	865,000	54,287	810,713
Total public works	<u>936,585</u>	<u>940,805</u>	<u>134,320</u>	<u>806,485</u>

Village of Lawton

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended February 29, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development-				
Planning and zoning	\$ 39,450	\$ 39,450	\$ 52,084	\$ (12,634)
Recreation and culture:				
Parks and recreation	58,515	73,110	62,637	10,473
Civic betterment	28,010	28,010	20,095	7,915
Total recreation and culture	<u>86,525</u>	<u>101,120</u>	<u>82,732</u>	<u>18,388</u>
Capital outlay	<u>201,500</u>	<u>199,000</u>	<u>71,139</u>	<u>127,861</u>
Total expenditures	<u>2,065,000</u>	<u>2,088,815</u>	<u>988,806</u>	<u>1,100,009</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	85,175	416,167	330,992
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in - Library	-	-	30,433	30,433
Transfer out - Major Street	-	(750,000)	(750,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(750,000)</u>	<u>(719,567)</u>	<u>30,433</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	(664,825)	(303,400)	361,425
<b>FUND BALANCES - BEGINNING</b>	<u>1,624,531</u>	<u>1,624,531</u>	<u>1,624,531</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,624,531</u>	<u>\$ 959,706</u>	<u>\$ 1,321,131</u>	<u>\$ 361,425</u>

Village of Lawton

**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended February 29, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
State grants	\$ 225,850	\$ 225,850	\$ 235,957	\$ 10,107
Interest	4,000	8,500	22,149	13,649
Total revenues	<u>229,850</u>	<u>234,350</u>	<u>258,106</u>	<u>23,756</u>
<b>EXPENDITURES</b>				
Public works:				
Preservation	194,675	1,426,075	450,183	975,892
Administration	10,975	10,975	6,224	4,751
Traffic services	10,750	10,750	3,636	7,114
Winter maintenance	13,450	13,450	16,297	(2,847)
Total expenditures	<u>229,850</u>	<u>1,461,250</u>	<u>476,340</u>	<u>984,910</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>(1,226,900)</u>	<u>(218,234)</u>	<u>1,008,666</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from General Fund	<u>-</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>-</u>	<u>(476,900)</u>	<u>531,766</u>	<u>1,008,666</u>
<b>FUND BALANCES - BEGINNING</b>	<u>949,160</u>	<u>949,160</u>	<u>949,160</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 949,160</u>	<u>\$ 472,260</u>	<u>\$ 1,480,926</u>	<u>\$ 1,008,666</u>

Village of Lawton

**BUDGETARY COMPARISON SCHEDULE - Municipal Streets Fund**

Year ended February 29, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 181,250	\$ 181,250	\$ 187,488	\$ 6,238
State grants	9,500	9,500	129,261	119,761
Intergovernmental	25,500	25,500	33,442	7,942
Interest	1,000	4,000	13,195	9,195
	<u>217,250</u>	<u>220,250</u>	<u>363,386</u>	<u>143,136</u>
Total revenues				
<b>EXPENDITURES</b>				
Public works	<u>217,250</u>	<u>217,250</u>	<u>209,428</u>	<u>7,822</u>
<b>NET CHANGES IN FUND BALANCES</b>				
	-	3,000	153,958	150,958
<b>FUND BALANCES - BEGINNING</b>				
	<u>389,721</u>	<u>389,721</u>	<u>389,721</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>				
	<u>\$ 389,721</u>	<u>\$ 392,721</u>	<u>\$ 543,679</u>	<u>\$ 150,958</u>

Village of Lawton

**BUDGETARY COMPARISON SCHEDULE - Library Fund**

Year ended February 29, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<b>Variance with final budget positive (negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 42,100	\$ 42,100	\$ 36,193	\$ (5,907)
State grants	3,000	18,072	26,115	8,043
Contributions from local units	132,586	132,586	133,032	446
Fines and forfeitures	18,000	24,184	25,589	1,405
Interest and rentals	1,400	8,400	17,781	9,381
Other	3,275	3,575	5,167	1,592
Total revenues	<u>200,361</u>	<u>228,917</u>	<u>243,877</u>	<u>14,960</u>
<b>EXPENDITURES</b>				
Recreation and culture:				
Salaries and wages	97,000	97,000	95,096	1,904
Payroll taxes and fringe benefits	22,500	22,500	11,023	11,477
Office supplies	550	550	434	116
Operating supplies	6,500	6,500	6,299	201
Insurance	1,200	1,250	276	974
Telephone	2,000	2,000	1,915	85
Electric	2,500	2,500	3,128	(628)
Heat	450	450	295	155
Custodial services	720	720	562	158
Professional services	14,370	14,370	10,157	4,213
Building and equipment rental	1,200	1,200	1,000	200
Miscellaneous	7,000	7,000	3,659	3,341
Books, magazines, and periodicals	23,500	23,500	22,974	526
Audio and video	3,500	3,500	2,982	518
Education and training	300	300	-	300
Computer software and internet	5,000	5,000	4,307	693
Memberships and dues	300	300	-	300
Travel	200	200	-	200
Total recreation and culture	<u>188,790</u>	<u>188,840</u>	<u>164,107</u>	<u>24,733</u>
Capital outlay	<u>3,000</u>	<u>11,985</u>	<u>13,361</u>	<u>(1,376)</u>
Total expenditures	<u>191,790</u>	<u>200,825</u>	<u>177,468</u>	<u>23,357</u>
<b>OTHER FINANCING USES</b>				
Transfer to General Fund	<u>-</u>	<u>(30,433)</u>	<u>(30,433)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	8,571	(2,341)	35,976	38,317
<b>FUND BALANCES - BEGINNING</b>	<u>652,369</u>	<u>652,369</u>	<u>652,369</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 660,940</u>	<u>\$ 650,028</u>	<u>\$ 688,345</u>	<u>\$ 38,317</u>

**SUPPLEMENTARY INFORMATION**

**BALANCE SHEET - Component Unit**

February 29, 2024

	<u><b>Downtown Development Authority</b></u>
<b>ASSETS</b>	
Cash	\$ 30,172
Investments	43,584
Taxes receivable	<u>3,503</u>
 Total assets	 <u><u>\$ 77,259</u></u>
 <b>FUND BALANCES</b>	
Unassigned	<u>\$ 77,259</u>
 Reconciliation of the balance sheet to the statement of net position:	
 Total fund balance	 77,259
 Amounts reported for <i>component unit activities</i> in the statement of net position (page 11) are different because:	
 Capital assets used in <i>governmental funds</i> are not financial resources and, therefore, are not reported in the funds.	 <u>108,327</u>
 Net position of <i>component unit</i>	 <u><u>\$ 185,586</u></u>

*Village of Lawton*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND**

**BALANCE - *Component Unit***

*Year ended February 29, 2024*

	<u><i>Downtown Development Authority</i></u>
<b>REVENUES</b>	
Tax increment financing	\$ 8,094
Interest income	1,937
Other	<u>3,000</u>
Total revenues	<u>13,031</u>
<b>EXPENDITURES</b>	
Current:	
Community and economic development	<u>1,677</u>
<b>NET CHANGE IN FUND BALANCE</b>	11,354
<b>FUND BALANCE - BEGINNING</b>	<u>65,905</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 77,259</u></u>
Reconciliation of the fund statement to the statement of activities:	
Net change in fund balance	\$ 11,354
Capital assets:	
Provision for depreciation	<u>(6,687)</u>
Change in net position of the <i>component unit</i>	<u><u>\$ 4,667</u></u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Village Council  
Village of Lawton, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lawton, Michigan (the Village), as of and for the year ended February 29, 2024, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated May 11, 2024.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings, that we consider to be a material weakness. Item 2024-001 is considered to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Village's Response to Finding**

The Village's response to the findings identified in our audit is described in the accompanying Schedule of Findings. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Siegfried Crandall P.C.*

May 11, 2024

## INTERNAL CONTROL DEFICIENCIES

Finding 2024-001 - Material audit adjustments and Preparation of Financial Statements

*Criteria:* All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e., external financial reporting).

*Condition:* We identified and proposed several material audit adjustments that management reviewed and approved. Adjustments were recorded to:

- Correct receivable balances
- Provide for depreciation on capital assets of the proprietary funds
- Correct property tax revenue recognition, and the related receivables and deferred inflows
- Correct payable balances
- Correct classification of debt service payments
- Convert the fund-based data necessary to prepare the government-wide financial statements

As is the case with many small and medium-sized governmental units, the Village has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot by definition be considered part of the Village's internal controls. This is a repeat finding.

*Cause:* This condition was caused by the Village's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Village to perform this task internally because outsourcing the task is considered more cost effective.

*Effect:* The Village's accounting records were initially misstated by amounts material to the financial statements. In addition, the Village lacks complete internal controls over the preparation of its financial statements in accordance with GAAP and relies, at least in part, on assistance from its external auditor with this task.

*Auditor's Recommendation:* We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Village's annual financial statements versus contracting with its auditor for these services.

*Management Response:* Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.